



CITY OF SAN DIEGO

PROPOSED BUDGET



FY: 2016

Citywide Budget Overview

Citywide Budget Overview

The City of San Diego's Fiscal Year 2016 Proposed Budget of \$3.2 billion is comprised of six operating fund types (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in expenditures for operations from Fiscal Year 2014 to Fiscal Year 2016 by fund type and for the CIP.

Table 1: Total City Expenditure Changes Fiscal Years 2014 - 2016 by Fund Type/Program

Fund Type	FY 2014 Actual	FY 2015 Adopted Budget	FY 2016 Proposed Budget	FY 2015 - FY 2016 Change	Percent Change
General Fund ¹	\$ 1,253,645,817	\$ 1,202,422,436	\$ 1,275,676,014	\$ 73,253,578	6.1%
Special Revenue Funds	341,282,500	383,284,395	407,181,634	23,897,239	6.2%
Debt Service and Tax Funds ²	1,750	-	-	-	0.0%
Capital Project Funds	13,415,104	12,527,089	13,177,479	650,390	5.2%
Enterprise Funds	878,141,954	933,722,420	991,906,539	58,184,119	6.2%
Internal Service Funds	95,617,989	165,342,113	188,070,749	22,728,636	13.7%
Capital Improvements Program	263,211,043	309,972,790	338,271,557	28,298,767	9.1%
Total	\$ 2,845,316,157	\$ 3,007,271,243	\$ 3,214,283,972	\$ 207,012,729	6.9%

¹ The Fiscal Year 2016 Proposed General Fund expenditures budget includes \$1.1 million for Community Projects, Programs, and Services appropriations, which is offset in the General Fund Revenue budget by fund balance.

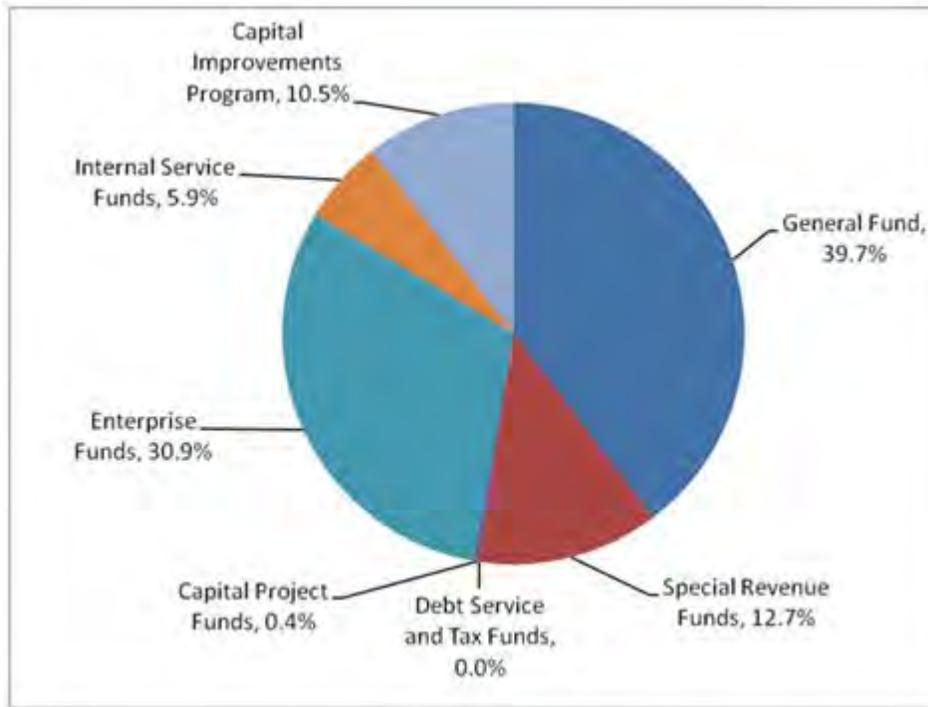
² Debt Service and Tax Funds are used for Tax and Revenue Anticipation Notes (TRANS). The City does not plan to issue TRANS in Fiscal Year 2016.



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Figure 1 displays the Fiscal Year 2016 Proposed Expenditure Budget by fund type or program.

Figure 1: Fiscal Year 2016 Proposed Expenditure Budget by Fund Type/Program



Note: Numbers may not add to 100% due to rounding.

Table 2 presents the changes in revenues from Fiscal Year 2014 to Fiscal Year 2016 by fund type.

Table 2: Total City Revenue Changes Fiscal Years 2014 - 2016 by Fund Type

Fund Type	FY 2014 Actual	FY 2015 Adopted Budget	FY 2016 Proposed Budget	FY 2015 - FY 2016 Change	Percent Change
General Fund ¹	\$ 1,276,384,661	\$ 1,188,550,460	\$ 1,274,618,665	\$ 86,068,205	7.2%
Special Revenue Funds	385,101,850	364,322,673	393,236,095	28,913,422	7.9%
Debt Service and Tax Funds ²	1,750	-	-	-	0.0%
Capital Project Funds	25,098,355	30,010,000	32,007,000	1,997,000	6.7%
Enterprise Funds	987,637,849	1,018,774,866	1,032,709,623	13,934,757	1.4%
Internal Service Funds	108,018,743	170,023,932	178,228,021	8,204,089	4.8%
Total³	\$ 2,782,243,208	\$ 2,771,681,931	\$ 2,910,799,404	\$ 139,117,473	5.0%

¹ The Fiscal Year 2016 Proposed General Fund expenditures budget includes \$1.1 million for Community Projects, Programs, and Services appropriations, which is offset in the General Fund revenue budget by fund balance.

² Debt Service and Tax Funds are used for Tax and Revenue Anticipation Notes (TRANs). The City does not plan to issue TRANs in Fiscal Year 2016.

³ Non-General Fund operating revenues may be less than operating expenditures due to the use of fund balance.

Expenditure Overview by Fund Type/Program

General Fund

Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2016 Proposed Budget reflects General Fund expenditures totaling \$1.28 billion, which is an increase of \$73.3 million or 6.1 percent from the Fiscal Year 2015 Adopted Budget. Detail on the total net increase in the General Fund is described in the General Fund Expenditures section of this Volume.

Debt Service and Tax Funds

The Debt Service and Tax Funds include funding to pay for note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANS) cash flow borrowing. The City does not plan to issue TRANS in Fiscal Year 2016.

Debt service for all other City related financings, including General Fund lease revenue bonds and water and wastewater revenue bonds, are budgeted within the departments' operating budgets.



Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall Capital Improvements Program (CIP), which can be supported by all fund types. The Capital Project Funds included in the Fiscal Year 2016 Proposed Budget are the TransNet and Capital Outlay Funds. The Fiscal Year 2016 Proposed Budget for Capital Project Funds is \$13.2 million, which is an increase of \$650,390 or 5.2 percent from the Fiscal Year 2015 Adopted Budget. This increase is primarily due to the addition of \$2.7 million in expenditures in the TransNet Funds based on revenue projections from the San Diego Association of Governments (SANDAG) to fund operations in the Transportation & Storm Water Department. The increase is partially offset by the transfer of \$2.1 million in appropriations for the principal portion of the deferred capital bond debt service payments from the Capital Outlay Fund to the General Fund.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Transient Occupancy Tax (TOT) and Gas Tax. The Fiscal Year 2016 Proposed Budget for Special Revenue Funds is \$407.2 million, representing a net increase of \$23.9 million or 6.2 percent from the Fiscal Year 2015 Adopted Budget. This net increase is primarily due to:

- the addition of \$7.7 million in the Underground Surcharge Fund based on revised revenue projections for franchise fees from San Diego Gas & Electric (SDG&E) and a corresponding increase in operating expenditures for the Utilities Undergrounding Program;

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- a \$7.3 million increase in the Gas Tax Fund transfers to operating departments (primarily the Transportation & Storm Water and Park & Recreation Departments) from revised revenue projections and the use of prior year fund balance;
- the addition of \$3.9 million in the OneSD Support Fund which includes the addition of \$1.0 million for the Public Budget Formulation (PBF) and Business Warehouse upgrade; \$900,000 for the SAP Purchasing module enhancements; \$600,000 for resources for the Enterprise Asset Management (EAM) project; \$500,000 for developing One Customer San Diego; \$300,000 for document storage; \$300,000 for the Customer Service Portal upgrade in the Public Utilities Department; and \$275,000 for the implementation of a citywide learning portal;
- a \$3.1 million increase in the Transient Occupancy Tax Fund due to an increase of \$1.6 million in One-Cent and Four-Cent Discretionary funding to reimburse the General Fund for tourism-related expenditures; \$868,701 increase for Penny for the Arts Blueprint to maintain the 5.7 percent allocation; and a net increase of \$404,961 to support debt service payments and operating costs for Mission Bay/Balboa Park Improvements, Convention Center, QUALCOMM Stadium, PETCO Park, and the Trolley Extension Reserve Funds; and
- a \$775,000 increase in the Information Technology Fund for the one-time content migration for the City website and \$400,000 for the development of SAP financial reports for City departments.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2016 Proposed Budget for all Enterprise Funds is \$991.9 million, representing a net increase of \$58.2 million or 6.2 percent from the Fiscal Year 2015 Adopted Budget. This net increase is primarily due to the following adjustments in the Public Utilities Department:

- an increase of \$21.9 million for water purchases as a result of increased water rates;
- an increase of \$7.4 million for electric services as a result of increased electricity rates and consumption;
- an addition of \$6.0 million in non-personnel expenditures for a negotiated settlement agreement with the Sweetwater Authority related to the expansion of the Sweetwater Desalination Facility;
- an increase of \$5.7 million for facility condition assessments of Water and Sewer facilities;
- an increase of \$5.2 million for repair and maintenance of various water and wastewater facilities and systems;
- an increase of \$3.8 million for safety and security contracts, equipment, and vehicles;
- an increase of \$2.2 million for the addition of funding for State Revolving Fund (SRF) loan repayments;
- an increase of \$1.9 million for environmental planning and impact services; and
- an increase of \$1.4 million for the San Diego Basins Study to study reservoirs and other facilities within the San Diego basin and opportunities for improving water supply reliability.

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Additionally, there is an increase of \$2.2 million in the Development Services Department as a result of the addition of 24.40 FTE positions to support operations due to an increased demand for services.

Internal Services Funds

Internal Services Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2016 Proposed Budget for Internal Service Funds totals \$188.1 million, which is an increase of \$22.7 million or 13.7 percent from the Fiscal Year 2015 Adopted Budget. This increase is primarily due to:

- an increase of \$11.4 million in expenditures in the Public Works - Engineering & Capital Projects Department primarily to support the expansion of the Capital Improvements Program (CIP); and
- the addition of \$11.2 million in expenditures in the Fleet Services Replacement Fund for the purchase of vehicles.

Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates available revenue to rehabilitate, restore, improve, enhance and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), development impact fees (DIF), Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2016 Proposed CIP Budget totals \$338.3 million. This is an increase of \$28.3 million, or 9.1 percent, from the Fiscal Year 2015 Adopted CIP Budget of \$310.0 million, primarily due to an increase in General Fund funded projects.



The CIP budget projects *Anticipated* funding in the CIP project pages. For Fiscal Year 2016, a total of \$192.0 million in anticipated funding for CIP projects is included but will not be appropriated in the Fiscal Year 2016 Proposed Budget. Anticipated funding includes a variety of funding such as donations, grants, developer funding, and Facilities Benefit Assessments, as well as the \$120.0 million infrastructure bond previously authorized by the City Council and anticipated to be received in Fiscal Year 2015.

Citywide Reorganization/Restructuring

The Fiscal Year 2016 Proposed Budget reflects the restructuring of several departments and programs as a result of executive management decisions and department-initiated reorganizations. Reorganizations include restructuring of departments and major divisions within a department and are intended to increase the overall efficiencies and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2016 Proposed Budget.

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Fleet Services Division

The Fleet Services Division of the Public Works - General Services Department now reports directly to the Deputy Chief Operating Officer of the Internal Operations Branch, rather than the Infrastructure/Public Works Branch.

Office of ADA Compliance & Accessibility

The Office of ADA Compliance & Accessibility was transferred from the Infrastructure/Public Works Department to the Office of the Assistant Chief Operating Officer.

Low Flow Diversion Program

The Low Flow Diversion Program, which maintains the City's systems that divert storm water runoff from the storm drain to the sewer system during low flow conditions, was transferred from the Public Utilities Department to the Transportation & Storm Water Department.

Business Cooperation Program

The Business Cooperation Program was transferred from the Citywide Program Expenditures Department to the Economic Development Department.

Animal Services Contract

The administration of the animal services contract with the County of San Diego was transferred from the Police Department and is budgeted in Citywide Program Expenditures managed by the Financial Management Department.

Pedicab Program

The administration of the Pedicab Program was transferred from the Transportation & Storm Water Department to the Police Department.

Noise & Newsrack Permits

The administration of both the noise permit and the newsrack permit were transferred from the Development Services General Fund to the Enterprise Fund.

State Citizens' Option for Public Safety

The State Citizens' Option for Public Safety (COPS) program, a state grant that provides funding for front-line enforcement, was transferred from the General Fund to a new special revenue fund, "State COPS."

Police Decentralization Fund

The functions of the Police Decentralization Fund were transferred to the General Fund. This fund was previously partially supported by the General Fund, and the Police Decentralization Fund will be closed in Fiscal Year 2016.



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Fiscal Actions in the Fiscal Year 2016 Proposed Budget

The Fiscal Year 2016 Adopted Budget contains funding for the full payment of the pension Actuarially Determined Contribution (ADC) and funding for retiree health benefits. This budget also includes funding for storm water obligations and deferred capital which are described in more detail in the following sections.

Maintaining Reserves

The City's Reserve Policy currently defines a goal of maintaining a minimum of 14.0 percent of the most recent three-year average of annual audited General Fund operating revenues held in reserves. The 14.0 percent target for total General Fund Reserves includes the Emergency Reserve target of 8.0 percent and the Stability Reserve target of 6.0 percent. The City currently projects that it will meet its targets in Fiscal Year 2016, and no additional transfers to the reserves are needed.

The Mid-Year Amendments to the Adopted General Budget provided for the pre-funding of the Public Liability Reserve Contribution for Fiscal Year 2016 with Excess Equity. This allows the reserve to reach the Fiscal Year 2016 target of 40.0 percent outlined in the Reserve Policy one year earlier than planned. The Mid-Year Amendments also fully funded the Long-Term Disability Reserve Requirement of \$17.0 million through the use of Excess Equity in the General Fund and budgetary surplus in the non-general funds. The Reserve Policy requires the Long-Term Disability Fund Reserves equal the average actuarial liability valuation of the three most recent fiscal years.

Finally, the Workers' Compensation Fund Reserve requirement for Fiscal Year 2016 is expected to be met in Fiscal Year 2015. The Reserve Policy requires that the Workers' Compensation Fund Reserves equal 25 percent of the value of outstanding claims.

As a result of the pre-funding of the Public Liability Reserve and Long-Term Disability Reserve, and expecting to meet the Workers' Compensation Reserve, the Fiscal Year 2016 Proposed Budget does not include contributions to these reserves.

Municipal Storm Water Permit Compliance

The City of San Diego has over 48,000 storm drain structures, 700 miles of drainage pipe, and 15 storm water pump stations. On May 8, 2013, the Regional Water Quality Control Board (RWQCB) issued a new storm water permit in order to establish the conditions under which pollutants can be discharged from the City's storm drain system to local streams, coastal lagoons, and the ocean. The permit, which took effect in July 2013, requires compliance with the federal Clean Water Act and storm water regulations by calendar year 2018.

The Fiscal Year 2016 Proposed Budget includes \$55.4 million to fund programs to comply with permit requirements. This includes the addition of 28.00 FTE positions and \$11.8 million in Fiscal Year 2016 for Flood Risk Management and the Comprehensive Load Reduction Plan (CLRP). In addition to these operating expenses, \$22.0 million is anticipated to be allocated for storm drain infrastructure improvements in the Capital Improvements Program (CIP) from the \$120.0 million infrastructure bond authorization approved by the City Council. An additional \$6.1 million is anticipated to be transferred from the Storm Water Division's Operations and Maintenance budget to support storm water CIP projects in Fiscal Year 2016.

Deferred Capital

The City of San Diego maintains a large network of infrastructure assets, such as streets, facilities, storm drains, water and wastewater pipelines, parks, bridges, airports, and golf courses. From 2007 to 2011, the City took action to assess the condition of certain General Fund infrastructure assets. Based upon a report of the condition of these assets released in February 2012, the City's deferred

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capital backlog for General Fund street, facility, and storm water infrastructure assets was estimated at \$898.0 million. Of this amount, \$478.0 million was related to streets, \$185.0 million was attributed to facilities, and \$235.0 million was related to storm water infrastructure. The Transportation & Storm Water Department recently concluded an assessment of the City's storm drain pipes and determined that a portion of the storm water system can be rehabilitated rather than replaced. As a result of this assessment, the Department has revised the estimated maintenance backlog for storm water infrastructure from \$235.0 million to \$146.0 million. Also, the Public Works Department is in the process of assessing all General Fund facilities. The revised estimated deferred capital backlog of the facilities will be updated upon completion of the condition assessment.

On March 20, 2012, the City Council approved a deferred capital funding plan, known as Enhanced Option B, which provides for bond funding totaling \$494.4 million from Fiscal Years 2012 through 2017, and increasing annual cash funding for maintenance and repair and capital expenditures (previously called operations and maintenance as listed in Enhanced Option B) from \$52.7 million in Fiscal Year 2013 to \$79.0 million by Fiscal Year 2017. To date, an estimated \$213.3 million in bond proceeds including earned interest have been issued to fund Capital Improvements Program (CIP) projects for planning, design, and construction for the repair, expansion, and/or replacement of General Fund streets, facilities, and storm water infrastructure. This funding consists of the \$103.3 million issued in 2009, \$75.0 million issued in Fiscal Year 2012, and \$35.0 million issued in Fiscal Year 2013. In addition, a fourth bond issuance of \$120.0 million has been approved by the City Council and proceeds are expected to be available in April 2015. Three additional bond issuances totalling \$270.0 million are planned for Fiscal Year 2017, 2018, and 2019 for \$90.0 million each. Up to \$60.0 million of each issuance will support street repair.

The Fiscal Year 2016 Proposed Budget includes an additional \$11.0 million in deferred capital cash funding, increasing the budgeted level to \$81.4 million in Fiscal Year 2016 to address deferred capital and maintenance and repair needs. This amount exceeds the approved Enhanced Option B funding plan for Fiscal Year 2016 by \$15.4 million.

Citywide Personnel Expenditures

The Fiscal Year 2016 Proposed Budget includes a total of \$741.5 million for salaries and wages, and \$498.6 million for fringe expenditures, resulting in a total budget of \$1.24 billion in personnel expenditures citywide. **Table 3** illustrates the budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type.

Table 3: Fiscal Year 2016 Proposed Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,221.39	\$ 517,857,178	\$ 354,889,580	\$ 872,746,758
Special Revenue Funds	273.20	19,393,704	11,956,890	31,350,594
Enterprise Funds	2,424.08	140,731,386	91,631,299	232,362,685
Internal Service Funds	919.63	58,785,179	37,031,722	95,816,901
Other Funds	64.00	4,708,326	3,104,693	7,813,019
Total	10,902.30	\$ 741,475,773	\$ 498,614,184	\$ 1,240,089,957

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Total City Personnel

The Fiscal Year 2016 Proposed Budget includes a total of 10,902.30 FTE positions with 7,221.39 or 66.2 percent of these positions budgeted within the General Fund. **Table 4** presents the change in positions from Fiscal Year 2015 to Fiscal Year 2016.

Table 4: Total City FTE Position Changes Fiscal Year 2015 - 2016

Fund Type	FY 2015 Adopted Budget	Additions	Reductions	Reorganizations	FY 2016 Proposed Budget	FY 2015 - FY 2016 Change	Percent Change
General Fund	6,975.29	269.56	(23.11)	(0.35)	7,221.39	246.10	3.5%
Special Revenue Funds ¹	263.36	17.35	(7.26)	(0.25)	273.20	9.84	3.7%
Enterprise Funds	2,385.38	49.01	(9.26)	(1.05)	2,424.08	38.70	1.6%
Internal Service Funds	790.18	133.50	(5.70)	1.65	919.63	129.45	16.4%
Other Funds	64.00	-	-	-	64.00	-	-%
TOTAL	10,478.21	469.42	(45.33)	(0.00)	10,902.30	424.09	4.0%

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

For details on all position changes, refer to *Attachment A - Fiscal Year 2016 Changes in Full-time Equivalent (FTE) Positions* in the Appendix.

Table 5 represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, the Municipal Employees Association (MEA), represents 35.0 percent of General Fund positions and 44.3 percent of all City positions.

Table 5: Fiscal Year 2016 Proposed FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,524.49	90.85	1,468.49	704.30	38.00	4,826.13
IAFF Local 145	884.00	22.00	-	-	-	906.00
AFSCME Local 127	949.45	71.00	806.20	158.00	-	1,984.65
POA	2,029.70	-	-	-	-	2,029.70
Teamsters Local 911	157.88	-	-	-	-	157.88
DCAA	144.43	-	-	-	-	144.43
Classified / Unrepresented	129.84	32.35	75.36	27.98	7.00	272.53
Unclassified / Unrepresented	390.60	57.00	74.03	29.35	19.00	569.98

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Table 5: Fiscal Year 2016 Proposed FTE Positions by Labor Group (Cont'd)

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	7,221.39	273.20	2,424.08	919.63	64.00	10,902.30

Salaries and Wages

The Fiscal Year 2016 Proposed Budget includes \$741.5 million in budgeted salaries and wages, with \$517.9 million or 79.7 percent budgeted in the General Fund. **Table 6** displays the Fiscal Year 2016 Proposed Budget for salaries and wages by fund type.

Table 6: Fiscal Year 2016 Proposed Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 469,520,295	\$ 19,614,896	\$ 136,254,966	\$ 59,411,598	\$ 4,962,261	\$ 689,764,016
Vacancy Savings	(21,445,545)	(1,199,588)	(9,211,979)	(2,179,556)	(255,465)	(34,292,133)
Salary Savings	(1,532,413)	(32,113)	(433,763)	(156,376)	(6,432)	(2,161,097)
Vacation Pay in Lieu	5,116,404	29,000	358,200	-	-	5,503,604
Termination Pay/ Annual Leave	2,474,103	28,779	359,532	202,558	7,962	3,072,934
Hourly Wages	13,501,896	49,504	2,330,285	699,897	-	16,581,582
Overtime	50,222,438	903,226	11,074,145	807,058	-	63,006,867
TOTAL	\$ 517,857,178	\$ 19,393,704	\$ 140,731,386	\$ 58,785,179	\$ 4,708,326	\$ 741,475,773

The Healthy Workplaces, Healthy Families Act of 2014 (A.B. 1522) requires that any employee who, on or after July 1, 2015, works in California for 30 or more days within a year from the beginning of employment is entitled to paid sick leave. Hourly non-benefitted employees, will earn one hour of paid Hourly Sick Leave (A.B. 1522) for every 30 hours worked, up to a maximum accrual of 48 hours. The proposal for implementation of A.B. 1522 is expected to go before the City Council for consideration in late April. The projected budgetary impact for Hourly Sick Leave (A.B. 1522) is approximately \$355,000 to the General Fund and \$400,000 citywide for Fiscal Year 2016. Following City Council approval, these impacts will be included in the Fiscal Year 2016 May Revision.

Vacancy Savings

Vacancy savings is used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2016 Proposed Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to normal attrition, extended leaves of absence, under-filled positions, and newly hired employees that may start at a lower salary than the salary of the vacated position. Savings from vacant reimbursable positions have been excluded from the estimated vacancy savings as the

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City does not realize savings due to offsetting revenue for these unfilled positions. These estimates of vacancy savings will require that departments monitor their Fiscal Year 2016 personnel expenditures to their available allocated appropriations. The Fiscal Year 2016 vacancy savings is \$34.3 million, representing an increase of \$4.0 million or 13.1 percent from the Fiscal Year 2015 Adopted Budget.

Table 7 displays the changes in budgeted vacancy savings from Fiscal Year 2014 to Fiscal Year 2016.

Table 7: Budgeted Vacancy Savings Fiscal Year 2014 - 2016

Department/Fund	FY 2014 Adopted	FY 2015 Adopted	FY 2016 Proposed
Administration	\$ 59,363	\$ -	\$ -
City Attorney	752,959	752,503	772,927
City Clerk	37,835	37,835	32,968
City Comptroller	159,245	234,592	172,785
City Planning	-	159,858	-
City Treasurer	172,119	228,134	173,722
Communications	-	-	54,059
Council District 2	121,472	-	-
Council District 3	121,472	-	-
Council District 7	60,736	-	-
Debt Management	54,059	31,491	-
Development Services	186,649	155,605	155,355
Economic Development	80,454	117,687	108,118
Environmental Services	236,915	304,173	196,825
Financial Management	65,291	124,758	59,467
Fire-Rescue	4,362,120	4,685,728	4,684,562
Library	536,587	606,796	606,993
Office of Homeland Security	42,578	-	-
Office of the Assistant COO	54,059	-	-
Office of the Mayor	-	85,582	-
Park & Recreation	954,762	1,401,576	1,007,337
Personnel	59,114	66,539	59,114
Planning	-	-	159,578
Police ¹	8,718,131	8,281,929	11,522,051
Public Works - Contracts	57,866	42,578	36,962
Public Works - Engineering & Capital Projects	1,057,413	-	-
Public Works - General Services	189,738	253,761	254,945

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Table 7: Budgeted Vacancy Savings Fiscal Year 2014 - 2016 (Cont'd)

Department/Fund (Cont'd)	FY 2014 Adopted	FY 2015 Adopted	FY 2016 Proposed
Purchasing & Contracting	49,109	108,014	108,118
Real Estate Assets	54,059	66,768	31,491
Transportation & Storm Water	733,615	929,538	1,248,168
Total General Fund	\$ 18,977,720	\$ 18,675,445	\$ 21,445,545
Airports Fund	\$ 38,376	\$ -	\$ 34,944
Central Stores Fund	34,611	34,611	34,611
City Employees' Retirement System Fund	271,523	255,424	255,465
Development Services Fund	7,581,521	5,347,918	4,067,601
Energy Conservation Program Fund	4,728	-	18,013
Engineering & Capital Projects Fund	-	1,321,366	1,779,822
Facilities Financing Fund	42,578	31,491	31,491
Golf Course Fund	134,242	57,366	88,265
Information Technology Fund	90,126	126,131	126,131
Local Enforcement Agency Fund	60,674	60,674	60,674
Maintenance Assessment District (MAD)	-	42,578	51,459
Metropolitan Sewer Utility Fund	1,146,472	1,133,574	1,409,943
Municipal Sewer Revenue Fund	800,269	822,467	1,056,351
OneSD Support Fund	-	-	695,334
Parking Meter Operations Fund	-	-	41,330
QUALCOMM Stadium Operations Fund	47,091	63,253	80,454
Recycling Fund	182,650	221,136	224,210
Refuse Disposal Fund	249,825	307,046	324,208
Risk Management Administration Fund	96,491	177,663	347,110
Water Utility Operating Fund	1,651,702	1,537,281	2,006,457
Wireless Communications Technology Fund	94,162	116,314	112,715
Total Non-General Fund	\$ 12,527,041	\$ 11,656,293	\$ 12,846,588
Total	\$ 31,504,761	\$ 30,331,738	\$ 34,292,133

¹ The Fiscal Year 2016 Proposed Budget for the Police Department includes an increase of \$2.3 million in vacancy savings related to the elimination of the Holiday Credit on Day Off, as actual savings are realized in salaried wages and not overtime where the adjustment was previously budgeted. A corresponding increase to overtime has been added to the Police Department budget as a technical correction, resulting in a net zero impact.

Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor

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unions, City ordinances, or the City's Reserve Policy, regardless of current FTE count or salary amounts. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC), as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$353.1 million or 70.8 percent of budgeted fringe in Fiscal Year 2016. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

Table 8 displays the citywide fringe allocation which totals \$498.6 million for Fiscal Year 2016, of which \$354.9 million or 71.2 percent is budgeted in the General Fund.

Table 8: Fiscal Year 2016 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ADC	\$ 187,603,345	\$ 5,375,506	\$ 42,920,605	\$ 17,436,728	\$ 1,566,053	\$ 254,902,237
Supplemental Pension Savings Plan	14,516,632	1,172,493	7,649,671	3,484,736	278,904	27,102,436
Retirement DROP	1,667,620	26,852	485,010	198,966	3,252	2,381,700
Employee Offset Savings	6,625,955	154,376	748,288	320,413	66,304	7,915,336
Workers' Compensation	20,645,613	425,492	3,112,306	872,264	51,523	25,107,198
Flexible Benefits	68,930,611	2,561,795	18,698,258	7,449,259	608,668	98,248,591
Risk Management Administration	6,964,945	280,605	2,344,561	923,990	65,209	10,579,310
Long-Term Disability	1,430,373	60,920	417,379	182,223	15,441	2,106,336
Unemployment Insurance	817,557	34,835	238,467	104,084	8,821	1,203,764
Medicare	6,324,631	260,161	1,740,119	802,567	66,588	9,194,066
Other Post-Employment Benefits	38,994,645	1,571,070	13,126,246	5,173,126	365,085	59,230,172
Retirement 401 Plan	208,582	15,619	84,390	42,798	4,990	356,379
Retiree Medical Trust	159,071	17,166	65,999	40,568	3,855	286,659
Fund Type Totals	\$ 354,889,580	\$ 11,956,890	\$ 91,631,299	\$ 37,031,722	\$ 3,104,693	\$ 498,614,184

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2016 is budgeted at \$258.6 million and is described below:

- The SDCERS Actuarially Determined Contribution (ADC), formerly the ARC, for Fiscal Year 2016 is \$254.9 million, representing a decrease of \$8.7 million from the Fiscal Year 2015

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Adopted Budget. The factors that contributed to the change in the ADC include investment experience gain, which decreased the ADC by \$13.9 million, liability experience loss, which increased the ADC by \$3.9 million, the explicit recognition of administrative expenses to be phased-in over three years, which added \$4.2 million, and other changes with a net decrease of \$2.9 million. Approximately \$187.6 million or 73.6 percent of the ADC is budgeted in the General Fund.

- \$1.5 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits.
- \$2.2 million has been budgeted citywide (\$1.7 million in the General Fund) to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit. The supplemental COLA benefit was funded by San Diego Ordinance O-18608, adopted on January 11, 1999, to increase the monthly retirement allotment for retirees who retired before July 1, 1982 with at least ten years of service credit and whose benefits had fallen below 75 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from the previous fiscal year to fund this benefit. However, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013 and the City funds the supplemental COLA benefit annually.

Other Post Employment Benefits

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2014 is approximately \$479.5 million and the Annual Required Contribution (ARC) for Fiscal Year 2016 was determined to be \$41.7 million. This valuation assumes a 6.81 percent discount rate.

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its labor organizations and provided the same terms to unrepresented employees regarding reforms to the retiree



healthcare benefit for health-eligible employees. The agreements set the City's annual OPEB funding at \$57.8 million for Fiscal Years 2013 through 2015, with annual increases of up to 2.5 percent after 2015. The City has budgeted \$59.2 million in Fiscal Year 2016 for retiree health care benefits. If the retiree health defined contribution and pay-as-you-go actuals exceed \$59.2 million, then the excess will be withdrawn from the City's CalPERS Employer Retiree Benefit Trust (CERBT) account.

Employee Offset Savings (EOS)

The Fiscal Year 2016 Proposed Budget includes Employee Offset Savings of \$7.9 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$7.9 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

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Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2016 Proposed Budget for Retirement DROP contributions is \$2.4 million.

Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2016 Proposed Budget is \$25.1 million. The increase of approximately \$2.3 million from the Fiscal Year 2015 Adopted Budget is due to the use of fund balance for rate relief in Fiscal Year 2015.

Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2016 Proposed Budget is \$2.1 million. This contribution funds the pay-go requirements for the LTD Fund; the reserve requirement for Fiscal Year 2016 was pre-funded in Fiscal Year 2015.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2016 Proposed Budget for Flexible Benefits is \$98.2 million.

The City currently offers healthcare coverage to all of its full time, three-quarter time, and half-time employees through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key component of the Affordable Care Act. Health care coverage will be extended to non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act, with minimum fiscal impact in Fiscal Year 2016. The City continues to monitor Affordable Care Act mandates and clarifications to assess the impacts on City benefit plans.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In January 1982, the City established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent. Employees hired on or before July 1, 1986 can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2016 Proposed Budget for SPSP is \$17.5 million.

General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2016 Proposed Budget for the City's contribution match is \$356,379, based on 603.25 FTE general members as of November 2014.

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan

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and are only eligible to participate in a defined contribution plan. New hires with offers of employment made on or after July 20, 2012, with no prior City service, are placed in the SPSP-H Plan, which is being used as an Interim Defined Contribution Retirement Plan for benefited employees. Eligible new hires who are non-safety employees are required to contribute 9.2 percent of their compensation to the plan, which is matched by a 9.2 percent employer contribution. For safety employees, the mandatory employee and matching employer contributions is 11.0 percent of compensation. The Fiscal Year 2016 Proposed Budget for the City's Defined Contribution Retirement Plan is \$8.7 million, which represents an increase of \$5.1 million over the Fiscal Year 2015 Adopted Budget. This increase is primarily due to the assumption that vacant and new positions being added to the budget will be filled by employees in the Defined Contribution Retirement Plan. An additional \$931,883 is included in the SPSP-H account for hourly employees in the Fiscal Year 2016 Proposed Budget.

Retiree Medical Trust (RMT)

General members hired on or after July 1, 2009 must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2016 Proposed Budget for the City's contribution match is \$286,659.

Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, Long-Term Disability, and Employee Assistance programs. The Fiscal Year 2016 Proposed Budget for Risk Management Administration is \$10.6 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2016 Proposed Budget for Medicare is \$9.2 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2016 Proposed Budget for Unemployment Insurance is \$1.2 million.



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Labor Contracts

The City and each of its six recognized employee organizations agreed to Memoranda of Understanding (MOU) with five-year terms effective July 1, 2013, which include non-pensionable compensation increases consistent with the passage of Proposition B, which amended the San Diego City Charter on July 20, 2012. All agreements provide re-opener terms to meet and confer regarding increases to non-pensionable compensation for Fiscal Years 2017 and 2018. The non-pensionable compensation increase for all of the employee organizations, except for SDPOA, is 1.75% for Fiscal Year 2016.

The San Diego Police Department has experienced considerable recruitment and retention problems in the last several years and these challenges continued after the adoption of the 2014-2018 MOU. During this time, the department has lost both Police Recruits and experienced Police Officers to other local agencies. The primary stated reason for the loss of these officers was compensation. In order to address the recruitment and retention problems, the City and SDPOA mutually agreed to reopen the MOU.

From November 2014 through February 2015, the City conferred with the San Diego Police Officers Association (POA) over strategies to improve recruitment and retention among Police Officers. On March 23, 2015, the City Council approved the tentative agreement with POA for a successor Memorandum of Understanding (MOU) for a five-year term, with POA having the option to reopen the MOU to meet and confer in Fiscal Years 2019 and 2020. For Fiscal Year 2016, POA-represented employees will receive non-pensionable compensation increases consistent with the San Diego Charter requirements set forth in section 70.2, projected to be approximately \$11.1 million. The total projected compensation increases resulting from the successor MOU between the City and SDPOA are detailed in **Table 9**.

Table 9: SDPOA Successor MOU Projected Compensation Increases Fiscal Years 2016 - 2020

Compensation Increase	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Non-Pensionable Compensation	\$ 11,095,752	\$ 13,097,752	\$ 19,787,752	\$ 16,940,207	\$ 13,673,475
Pensionable Compensation	-	-	-	5,787,752	11,531,211
Total Compensation Increase	\$ 11,095,752	\$ 13,097,752	\$ 19,787,752	\$ 22,727,959	\$ 25,204,686

Fiscal Year 2016 Planned Contracts Exceeding \$3.0 Million

Table 10 contains a summary of the anticipated department contracts over \$3.0 million that are planned for solicitation in Fiscal Year 2016. The purpose of this summary is for City Council to review and discuss these contracts with City departments during the Fiscal Year 2016 Proposed Budget Hearings, and to seek City Council's preapproval for departments to proceed with the advertising and completion of the procurement process in order to acquire their respective commodities or services. Procurements will be completed by the Purchasing & Contracting Department and will adhere to the standard City of San Diego procedures and all required City rules, laws and regulations.

The summary list of planned procurements is based on information provided by departments on their anticipated needs and includes a description of the specific commodity or service, desired start date, and total estimated value of the commodity or service. It should be noted that estimated values are subject to change.

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Table 10: Fiscal Year 2016 Planned Contracts Exceeding \$3.0 Million

Department	Contract Name	Contract Description	Contract Type	Planned Advertise Date	Estimated Contract Value
Public Works-Fleet Services	Police Patrol Vehicle Replacement	The purpose of this contract is for the purchase of (81) replacement Patrol vehicles, (17) vehicles to support new positions and (10) vehicles to support PISO vehicles for Police.	Replacement vehicles	August-2015	\$ 4,497,350
Public Works-Fleet Services	Fire Rescue Aircraft Fire replacement	The purpose of this contract is for the purchase of (2) aircraft 'crash' trucks for Fire Rescue	Replacement vehicles	September-2015	\$ 3,000,000
Public Works-Fleet Services	General Fund Work/Off-road vehicles replacement	The purpose of this contract is for the purchase of (30) Work/Off-road vehicles	Replacement vehicles	July-2015	\$ 3,000,000
Public Works-Fleet Services	ESD General Fund Auto Refuse Trucks replacement	The purpose of this contract is for the purchase of (7) Auto Refuse Trucks for Environmental Services	Replacement vehicles	August-2015	\$ 3,000,000
Public Works-Fleet Services	Non-General Fund replacement Heavy Duty Trucks	The purpose of this contract is for the purchase of Heavy Duty Trucks	Replacement vehicles	July-2015	\$ 3,000,000
Public Works-Fleet Services	Non-General Fund replacement Packers	The purpose of this contract is for the purchase of Packers for Environmental Services	Replacement vehicles	September-2015	\$ 3,000,000
City Treasurer	Parking Citation Processing System	The purpose of this contract is for the purchase of an IT System for parking citation processing and payments.	IT system	July-2015	\$ 5,000,000
Department of Information Technology	Computer equipment, peripherals, and related services	The purpose of this contract is for the purchase of computer equipment, peripherals, and related services	IT equipment & related services	October-2015	\$ 4,130,000
Public Utilities	Public Utilities Water Construction and Maintenance	The purpose of this contract is to furnish and deliver Advanced Metering infrastructure (AMI)-compatible water meters	Water meters	August-2015	\$ 3,000,000
Public Utilities	Laboratory supplies	The purpose of this contract is for the purchase of laboratory supplies	Laboratory supplies	October-2015	\$ 4,000,000
Public Utilities	Janitorial Services for Wastewater Facilities	The purpose of this contract is for the purchase of Janitorial Services for Wastewater Facilities	Maintenance service	June-2015	\$10,000,000
Public Utilities	Digester cleaning services, Hauling and disposal of digester sludge	The purpose of this contract is for the purchase of digester cleaning services, hauling and disposal of digester sludge	Maintenance service	November-2015	\$10,000,000
Environmental Services	Power Purchase of Solar Energy for City Facilities	The purpose of this contract is to purchase solar energy from third party owned and operated photovoltaic systems installed through a Power Purchase Agreement (PPA) at over 150 City facilities. Funding for the project will be through electricity payments to the PPA provider over the 20 to 25 year term of the agreement.	Energy purchase	July-2015	\$ 9,000,000

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Table 10: Fiscal Year 2016 Planned Contracts Exceeding \$3.0 Million (Cont'd)

Department	Contract Name	Contract Description	Contract Type	Planned Advertise Date	Estimated Contract Value
Environmental Services	Power Purchase of Solar Energy at City Landfills	The purpose of the contract is to purchase solar energy from third party owned and operated photovoltaic systems installed through a Power Purchase Agreement (PPA) at closed City landfills. Funding for the project will be through electricity payments to the PPA provider over the 20 to 25 year term of the agreement.	Energy purchase	August-2015	\$10,000,000
Environmental Services	Power Purchase of Renewable Energy from Chollas and Arizona St. Landfills	The purpose of this contract is to purchase renewable energy from third party owned and operated landfill gas generation systems installed through a Power Purchase Agreement (PPA) at South Chollas and Arizona St. closed landfills. Funding for the project will be through electricity payments to the PPA provider over the 20 to 25 year term of the agreement.	Energy purchase	March-2016	\$ 4,500,000